

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

First Northern Community Bancorp/First Northern Bank

Point of Contact:	Louise A. Walker	RSSD: (For Bank Holding Companies)	2880626
UST Sequence Number:	496	Docket Number: (For Thrift Holding Companies)	496
CPP/CDCI Funds Received:	17,390,000	FDIC Certificate Number: (For Depository Institutions)	3440
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	March 13, 2009	City:	Dixon
Date Repaid ¹ :	N/A	State:	California

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

Once received, the capital invested as part of the Capital Purchase Program is indistinguishable from other cash sources. While total loans decreased during 2010 over 2009, the Company originated approximately \$75 million in new mortgage loans.

☐ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

First Northern Community Bancorp/First Northern Bank

☒ **Increase securities purchased (ABS, MBS, etc.).**

Once received, the capital invested as part of the Capital Purchase Program is indistinguishable from other cash sources. However, the Company did purchase approximately \$100 million of mainly GSE backed MBS. The remaining purchases were treasuries and taxable munis.

☐ **Make other investments.**

☐ **Increase reserves for non-performing assets.**

☒ **Reduce borrowings.**

Once received, the capital invested as part of the Capital Purchase Program is indistinguishable from other cash sources. However, the Company reduced borrowings from the Federal Home Loan Bank by approximately \$2 million or 18.2% in 2010 over 2009.

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

First Northern Community Bancorp/First Northern Bank

☐ Increase charge-offs.

☐ Purchase another financial institution or purchase assets from another financial institution.

☒ Held as non-leveraged increase to total capital.

Once received, the capital invested as part of the Capital Purchase Program (CPP) is indistinguishable from other cash sources. However, one of the many reasons for accepting the CPP funds was to help maintain capital cushions and reserves required to absorb unanticipated losses.

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

First Northern Community Bancorp/First Northern Bank

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

First Northern Community Bancorp (the Company) and its wholly owned subsidiary First Northern Bank of Dixon received \$17,390,000 of capital investment as part of the United States Treasury's Capital Purchase Program (CPP) on March 17, 2009. At that time the Company and First Northern Bank of Dixon were both well capitalized by regulatory standards. Determining specific actions that were avoidable as a result of Treasury's capital investment lends itself to conjecture. The Board of Directors and Management of First Northern Community Bancorp decided to participate in the CPP for a variety of reasons, including the uncertainty in the banking industry at that time and to help maintain the capital cushions and reserves required to absorb unanticipated losses.

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

First Northern Community Bancorp/First Northern Bank

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Once received, the capital invested as part of the Capital Purchase Program (CPP) is indistinguishable from other cash sources. However, the Company may not have done the following. Originate approximately \$75 million in mortgage loans in 2010. The Company also purchased approximately \$1000 million in investment securities in 2010, with the majority of these purchases in AAA rated agency backed securities. These purchases may have provided immediate support of the lending and borrowing activities of other banks and may have positioned those banks for increased lending later. While the Company cannot be certain that these actions would not have come to fruition without the CPP investment, the CPP investment may have assisted with these actions.

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

First Northern Community Bancorp/First Northern Bank

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.